

1977 Regional Agreement
Village of Sauget

TAB 19
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Mayor

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City of East St. Louis
Village of Cahokia
Commonfields of Cahokia Public Water District
Metro-East Sanitary District
County of St. Clair
County of Madison

Dear Sirs:

Under dates of October 25, 1976, July 11, 1977 and July 12, 1977, the Village of Sauget (hereinafter called Sauget) made offers to the City of East St. Louis (hereinafter called East St. Louis), the Village of Cahokia (hereinafter called Cahokia), the Commonfields of Cahokia Public Water District (hereinafter called Water District) and the previously existing East Side Levee and Sanitary District (hereinafter called Levee District) and the now existing Metro East Sanitary District (hereinafter called Sanitary District). Those offers pertained to the ownership, operation and funding by Sauget of a proposed sewage treatment plant to treat sewage from Sauget, East St. Louis, Cahokia and Water District.

Those offers were not accepted and are hereby cancelled and terminated.

The Village of Sauget hereby makes the following offer in respect to its ownership, operation and funding of such a plant, to be designed as recommended in the Metcalf/Eddy-Hurst/Roche Facilities Plan dated December 20, 1976. The principal terms and conditions of this offer are as follows:

1. If this offer is accepted, the resulting agreement shall supercede in their entireties the following prior agreements:

a. the agreement among Sauget, East St. Louis and the Levee District under which an application for a Step I grant was made by East St. Louis to the US EPA and the RFTA study was made (the so-called "Merta" agreement); and

b. the agreement among Sauget, East St. Louis, the

Levee District and the two (2) Counties under which an application for a Step I grant was made by the County of St. Clair to the US EPA and the Metcalf/Eddy-Hurst/Roche study was made.

Nevertheless, rights to be reimbursed for funds advanced and duties to pay shares of such funds, all as provided in such prior agreements, shall continue until reimbursement is received or funds are paid.

In this connection, it must be noted that the County of St. Clair has not received any grant funds on account of otherwise apparently grant-eligible expenditures by East St. Louis and also that East St. Louis has not paid its share of the Metcalf/Eddy - Hurst/Roche fee to the County of St. Clair.

Furthermore, Sauget has not been fully reimbursed for its payment of the fees of the RETA study.

2. This offer is contingent upon the conditions that it be acceptable to US EPA and also to Illinois EPA for the purpose of receiving US EPA grants for Step II and Step III.

3. If this offer is accepted, any resulting agreement shall be terminated in the event that US EPA does not award Sauget a Step II grant or in the later event that US EPA does not award Sauget a Step III grant, each such grant to be at least 75% of grant-eligible costs.

4. This offer assumes that sewage from the area of the Sanitary District presently served by its "Lansdowne" plant will be transported to, and be treated by, the City of Granite City. None of the funds to become available to Sauget under this offer, by US EPA grants to Sauget or by the sale of revenue bonds of Sauget or otherwise to Sauget, are to be made available for that project. Sauget assumes that funds for that project will be provided by the Sanitary District or some other entity or entities from bonds, grants or otherwise. Further reference is, however, made to #28.

5. For the purpose of this offer, "region" shall be defined to be the area of East St. Louis (subject to the provisions of #28) plus the area of Sauget and plus the area of Centreville Township (which includes the areas of Cahokia and the Water District). "Region" shall not be defined to include, except as provided in #28, the area presently served by the "Lansdowne" plant of the Sanitary District.

6. This offer also assumes that the storm water holding/treatment facility for East St. Louis will not be required by US EPA or Illinois EPA as part of the proposed regional treatment plan. In the event such a facility is required, Sauget shall assist East St. Louis and shall, if requested, issue regional revenue bonds for the planning, design and construction thereof. However, all of the costs thereof and of operating and maintaining the same shall be, under the then applicable user rate structure, charged to East St. Louis users.

7. This offer also assumes that advance refunding of the presently outstanding East St. Louis revenue bonds issued as of April 1, 1965 for the construction of its primary sewage treatment plant and of the presently outstanding Levee Board revenue bonds issued as of March 1, 1964 for the construction of its "Cahokia" primary sewage treatment plant will not be required. However, if such advance refunding is required by bond holders or bond counsel, Sauget shall issue additional regional bonds for such purposes. If advance refunding of either of said outstanding bond issues is required, both of said outstanding bond issues shall be advance refunded. All annual charges (principal, interest, required reserves, etc.) for such additional regional bonds shall be pro-rated among all users in the region in the same manner and form as all other capital charges.

8. A perpetual Technical Committee shall be created to consist of:

a. two voting (2) members and an alternate member for each such voting member appointed annually by the Mayor of the City of East St. Louis;

b. one voting (1) member and one (1) alternate member appointed annually by the President of the Board of Trustees of Sauget;

c. one voting (1) member and one (1) alternate member appointed annually by the President of the Board of Trustees of Cahokia;

d. one voting (1) member and one (1) alternate member appointed annually by the President of Water District; and

e. one (1) non-voting member and one (1) non-voting alternate member appointed annually by the President of Sanitary District.

9. If Cahokia hereafter conveys its sewer collection system to the Water District, the Water District shall be entitled to two voting (2) members and an alternate member for each such voting member on said Technical Committee (to be appointed annually by the President of the Water District) and Cahokia none.

10. If the Water District hereafter conveys its sewer collection system to Cahokia, Cahokia shall be entitled to two voting (2) members and an alternate member for each such voting member on said Technical Committee (to be appointed annually by the President of the Board of Trustees of Cahokia) and the Water District none.

11. Except for the alternate member of the Sanitary District, who shall not vote in any event, an alternate member may vote or otherwise act only if the voting member for whom he is the alternate is not present. The non-voting member of the Sanitary District and all alternate members shall receive notices of all meetings; shall be entitled to be present at all meetings; shall have the right of the floor at all meetings; and shall receive copies of the minutes of all meetings.

12. A quorum of said Technical Committee shall consist of three (3) members without counting those from the Sanitary District; provided that at least one (1) of the East St. Louis members and at least one (1) of the members from Cahokia and/or the Water District and at least one (1) of the Sauget members be present. An alternate member shall be counted for determining a quorum only if his particular voting member is absent. If two (2) consecutive regular monthly meetings cannot be held due to the lack of a quorum because of the absence of the members from the same municipality at both such meetings, the next succeeding regular monthly meeting may be held even in the absence of any member from that municipality.

13. All decisions of the Technical Committee shall be made by the vote of a majority of its members then entitled to vote who are present and voting at the meeting, assuming a quorum is present.

14. Regular meetings of the Technical Committee shall be held at least as often as monthly. Special meetings will be held upon the call of the Chairman or any two voting (2) members, with at least 96 hours notice by mail or 24 hours notice by telephone.

15. Said Technical Committee shall annually elect its own Chairman, from among its members. The position of Chairman shall be annually rotated among East St. Louis, Sauget, Cahokia and the Water District, in such order.

16. Said Technical Committee shall also annually appoint its own Secretary who need not be a member of the Committee. However, until the initial operator of the regional plant is selected and so long thereafter as such operator is the Village of Sauget Sanitary Development and Research Association (hereinafter called Association), the Secretary shall be annually appointed by the President of the Association. Unless he is

a voting member of the Technical Committee, such Secretary shall be a non-voting member of the Technical Committee; shall receive notices of all meetings; shall be entitled to be present thereat; shall be entitled to the right of the floor at such meetings; shall receive copies of the minutes of all such meetings; but he shall not be entitled to vote.

17. Said Technical Committee shall advise and assist the President and Board of Trustees of Sauget in connection with the design, construction and operation of the regional treatment plant and related facilities; in connection with obtaining funds therefor; and in connection with setting and collecting users' charges therefor. Neither Sauget nor said Technical Committee shall alter, change or amend the provisions of this offer or any agreement growing out of this offer except with the consent of all of East St. Louis, Sauget, Cahokia and, until the regional plant is completed and ready for operation, with the consent of the Sanitary District.

18. Except as otherwise provided in this offer, specifically included within the duties of said Technical Committee, but without limiting the generality of the provisions of #17, shall be advice and assistance to Sauget in respect to the following:

a. all matters pertaining to the treatment, disposal, control and regulation of sewage and industrial wastes;

b. all matters pertaining to designs for, and construction of, the regional plant, any and all additions and improvements thereto and any and all other regional plants and related facilities to be constructed for the treatment and disposal of sewage and industrial wastes;

c. all matters pertaining to designs for, and construction of, any and all related facilities (such as pumping station, force mains, storm water holding/treatment facilities, etc.) and any and all additions or improvements thereto, any of which may have an effect upon the use and operation of the regional plant;

d. all matters pertaining to ordinances, rules and regulations relating to the regulation, treatment and discharge of sewage and industrial wastes and relating to the operation of the regional plant and all of the related facilities;

e. all matters in respect to management and operation of the regional plant and related facilities directly or indirectly pertaining to performance of services or furnishing of labor or materials;

f. all matters pertaining to surveys, studies and testing necessary or advisable in connection with the use of the regional plant and related facilities;

g. all matters pertaining to the setting and fixing of sewage treatment rates to be charged to users and amounts to be paid by, or on behalf of, users;

h. all matters pertaining to annual budgets for operation, debt service, reserves and capital expenditures;

i. all matters pertaining to the issuance and sale of bonds;

j. all matters pertaining to application for grants; and

k. all matters pertaining to the employment of architects, engineers and the operator of the regional plant and related facilities.

19. In respect to setting users' rates, Sauget shall, upon the recommendation of the Technical Committee, retain an independent engineer who shall not be the engineer of any of the four (4) municipalities or of the Association or the operator. All users' rates in effect at any time shall be approved by US EPA and Illinois EPA. However, all users' rates in effect at any time must produce, at a minimum, all payments required to be made under the provisions of the Sauget ordinance or ordinances under which regional revenue bonds are issued.

20. In the event that the governing body of East St. Louis, Cahokia or the Water District believes that a decision by Sauget in any one of the following regards:

a. setting rates to be paid by users; or

b. requiring the other party to expend its funds without reimbursement from the other parties;

is improper, such aggrieved party may demand arbitration by a neutral third-party Arbitrator to be selected as herein-after provided.

If made, such arbitration demand must be made in writing received by Sauget within twenty-one (21) calendar days after the aggrieved party has received written notice of the decision complained of; otherwise, the decision of the governing body of Sauget shall be final and binding upon all parties.

The President of the Board of Trustees of Sauget and the presiding officer of the aggrieved municipality shall select the Arbitrator within twenty eight (28) calendar days of the receipt by Sauget of the arbitration demand. If they

fail so to do, the presiding officer of the aggrieved municipality may request the American Arbitration Association to furnish to both Sauget and the aggrieved municipality a list of not less than five (5), nor more than nine (9), proposed arbitrators. The presiding officers of Sauget and the aggrieved municipality shall meet within fourteen (14) calendar days of their receipt of such list and shall alternately strike one of the names thereon (the aggrieved municipality striking first) until only one (1) name remains. The person whose name remains shall be the Arbitrator.

The Arbitrator shall hold the first hearing within twenty-eight (28) calendar days of his selection and shall thereafter conclude the hearing as soon as possible. The Arbitrator shall render his decision within thirty-five (35) calendar days of the conclusion of the hearing.

Insofar as applicable and insofar as they do not conflict herewith, the procedural rules of the American Arbitration Association shall govern the hearing conducted by the Arbitrator.

The Arbitrator's fee and expenses shall be paid as follows: 50% by Sauget as cost of operation and maintenance and the remaining 50% by the party against whom the Arbitrator recommends. If the Arbitrator recommends against both parties, each shall pay 1/2 of such 50% of such fees and expenses.

Prior to demanding arbitration as aforesaid in respect to users' charges, the aggrieved municipality must request the Illinois EPA (or its successor or successors) to review the decision of Sauget. If the review of Illinois EPA is adverse to the aggrieved municipality or Sauget, either the aggrieved municipality or Sauget may thereafter demand arbitration in accordance with the foregoing; such demand to be made in writing by one party received by the other party within twenty-one (21) calendar days of its receipt of the Illinois EPA statement of its review.

Pending completion of the review-arbitration process specified aforesaid, the decision of Sauget pertaining to users' rates shall remain in full force and effect subject to retroactive adjustment and refund of such rates. Any other grievable decision of Sauget shall not become effective unless and until the arbitration process is completed, except in an emergency.

The Arbitrator shall not have any power to add to, or subtract from, the provisions of the agreement, but shall have the authority solely and only to interpret the provisions of the agreement under the factual situation then obtaining.

The Arbitrator must render an opinion under which users' rates are sufficient to pay all sums which are required to be paid under the provisions of the ordinance or ordinances of Sauget under which the revenue bonds are issued and sold. The decision of the Arbitrator must not diminish Sauget's duties to any holder of any regional revenue bond, as such duties are specified in the ordinance or ordinances under which such bonds were issued.

No user or group of users shall have any right of arbitration hereunder.

The parties recognize that bond counsel may require further limitations on the powers of the Arbitrator or may require that, in certain cases, the Arbitrator's opinion be only advisory in nature.

21. Sauget will make an application for a Step II US EPA grant; will retain an engineer for Step II work; and will advance and pay the local share of Step II costs; such local share being presently estimated at \$400,000 to \$500,000. If and when revenue bonds are issued and sold by Sauget under the provisions hereof, such bond proceeds shall include funds to reimburse Sauget for such expenditure.

22. In making such application for a US EPA Step II grant, Sauget will include a request for maximum permissible reimbursement to East St. Louis and to the Sanitary District (as successor to Levee District) of the costs incurred and paid by each of them in causing their respective engineers to design their respective secondary treatment plants for East St. Louis and "Cahokia", prior to the point at which Illinois EPA directed that such design cease because of the regional treatment possibility.

23. If and when revenue bonds are issued and sold by Sauget under the provisions hereof, such bond proceeds shall include funds to reimburse;

a. East St. Louis for its costs incurred and paid in causing its own engineers to design its own secondary treatment plant (except for such costs reimbursed by Federal grants);

b. Sanitary District (as successor to the Levee District) for its costs incurred and paid in causing its own engineers to design its "Cahokia" secondary treatment plant (except for such costs reimbursed by Federal grants);

c. Sauget for its costs incurred and paid (through SIMAPC) in causing RETA to perform the first part of Step I (except for such costs reimbursed by Federal grants);

d. Each of East St. Louis, Sanitary District (as successor to the Levee District) and Sauget for its respective costs, if any, incurred and actually paid (through St. Clair County) in causing Metcalf/Eddy-Hurst/Roche to perform the second part of Step I work (except for its such costs reimbursed by Federal grants); and

e. Sauget for its costs incurred and actually paid in causing the Step II engineer to design the regional plant and related facilities and doing all other Step II work other than sewer system evaluation studies (except for such costs reimbursed by Federal grants).

24. The regional revenue bonds issued by Sauget shall include sufficient funds to reimburse East St. Louis, Cahokia, Water District and Sanitary District (in its own right and as successor to Levee District) for fees which such party has paid or become contractually obligated to pay to its attorney or attorneys on or after December 1, 1972 as the direct and proximate result of the regional treatment proposition, the negotiations which resulted in this agreement and the issuance of the regional revenue bonds.

The reimbursable amount due to any one of said parties shall not exceed four-tenths of one percent (0.4%) of the initial amount of regional revenue bonds issued by Sauget.

The regional revenue bonds issued by Sauget shall include sufficient funds to reimburse it for its expenses incurred on and after December 1, 1972 as the direct and proximate result of the regional treatment proposition, the negotiations which resulted in this agreement, applications for grants and in the issuance and sale of regional revenue bonds, including, among other things, bond counsel's fees and expenses, fiscal agent's fees and expenses, local counsel's fees and expenses, etc.

The revenue bonds shall also include funds to reimburse East St. Louis, Cahokia, the Water District, and the Sanitary District (in its own right and as successor to Levee District) for its independent engineers' and fiscal agents' fees incurred or paid on or after December 1, 1972 as the direct and proximate result of the regional treatment proposition and the negotiations in respect thereto and in respect to the issuance and sale of revenue bonds by Sauget.

25. Each of East St. Louis, Sauget, Cahokia and Water District shall continue to own, operate, construct, manage and maintain and, when necessary, repair and improve its own present and future sewage collection system; shall remain subject to, and liable for, bonds heretofore and hereafter issued for any of such purposes; and shall repair, improve or expand such system when requested so to do by Sauget, upon the advice of the Technical Committee, if such repairs, improvements and expansion are necessary and advisable for the efficient operation of the regional plant and related facilities or for pollution control and abatement within the region. Also such party shall, upon the request of Sauget at the recommendation of the Technical Committee, adopt and enforce such ordinances as may be reasonably required for the proper operation of the regional treatment facility. Each of said parties may assess its users a charge for operating and maintaining its sewage collection system, which charge shall be in addition to the charge for any outstanding revenue bonds issued to construct such system and also in addition to any charge for regional treatment.

26. As part of the Step II engineering work, Sauget shall cause the Step II engineer to make a Sewer System Evaluation Study (SSES) of the sewage collection systems of East St. Louis, Sauget, Cahokia, Water District and the "Centreville Trunk Line" of the Sanitary District; shall apply for a US EPA 75% grant therefor; and shall pay the local 25% share thereof, subject to reimbursement for such local share, plus interest thereon at 7% per annum, when the regional revenue bonds are issued.

The SSES engineering fees shall be kept separate and apart from other Step II engineering fees and shall be kept separate and apart for each such area.

However, users in each such area, but not the entire region, shall pay additional users' fees on account of the principal, interest and reserves on the regional treatment bonds issued to reimburse Sauget for the local 25% share of such area's SSES engineering fees, plus interest, all under the then applicable rate structure.

Each party shall be responsible for making and paying the cost of the repairs to its own sewage collection system recommended in the SSES report if such repairs are necessary to abate pollution or if such repairs are more feasible than increasing the size of the regional treatment plant. All parties recognize that, with the possible exception of Sauget, none of the parties presently has the funds necessary to pay the probable cost of such repairs, but that authority to obtain such funds, and such funds, must hereafter be obtained by each such party.

The regional treatment plant and the related facilities shall be designed upon the assumption that such repairs will be made.

27. The present agreement between East St. Louis and the Water District (under the provisions of which East St. Louis accords primary treatment to sewage from incorporated and unincorporated areas of the Town of Centreville) shall be, if necessary, renegotiated so as to conform with the provisions hereof. Also, the present agreements between the Sanitary District and Cahokia and Water District or the underlying cities, villages and townships shall otherwise be terminated or renegotiated to conform with the provisions hereof.

28. It should be noted that, under a contract between the Sanitary District and East St. Louis, sewage from part of the "Lansdowne" area of East St. Louis has been and is presently being primarily treated at the Sanitary District's "Lansdowne" plant. Sauget has been advised by East St. Louis that it desires that such sewers be disconnected from the Sanitary District's "Lansdowne" system and that such sewage be thereafter treated in the same manner and form as sewage from the rest of East St. Louis. Whatever solution is negotiated between East St. Louis and the Sanitary District is acceptable to Sauget; provided that East St. Louis, not the region, is liable for the sums, if any, due from East St. Louis to the Sanitary District for treatment services rendered by the Levee District and the Sanitary District prior to disconnection; and also provided that East St. Louis, not the region, pays the expenses of disconnection and new sewer lines.

29. Effective upon completion and readiness for operation of the regional treatment plant, Sanitary District shall convey its "Cahokia" primary treatment plant and site and necessary easements to Illinois State Trust Company, Trustee, and said Trustee shall lease the same to Sauget perpetually under the following terms and conditions:

a. So long as any revenue bonds issued by Levee District as of March 1, 1964 to acquire and construct such plant and site are outstanding, Sauget shall, as rental and at the beginning of each fiscal year, pay said Trustee the amount of principal and interest due on such bonds in such fiscal year;

b. For each of the first (1st) thirty (30) fiscal years, Sauget shall, as additional rental and at the beginning of each such fiscal year, pay said Trustee the sum of \$12.00 for each domestic user then connected to the sewer collection system served by the "Cahokia" plant;

c. After the first thirty (30) fiscal years, Sauget shall, as additional rental and at the beginning of each such fiscal year, pay said Trustee the sum of \$1.00 per annum;

d. Rental paid by Sauget to Trustee under the provisions of #29 shall, for the purpose of establishing user rates within the region, be deemed to be a cost of operation and maintenance; and

e. Said Trustee shall use said rental to pay the maturing principal and interest on said bonds as and when the same become due during said fiscal year; it shall hold the balance of said rental until the end of said fiscal year; if, at the end of said fiscal year, either Cahokia or the Water District has failed to pay Sauget all amounts then due, said Trustee shall use the balance of said rental to pay said sums then due; if any balance of said rental still remains, said Trustee shall pay the same to Cahokia and the Water District in proportionate shares.

Notwithstanding the foregoing provisions of this #29, Sanitary District may, at its option, retain ownership of, and not lease to the Trustee, so much of its "Cahokia" site as is not reasonably required for operation and maintenance of the plant as a pumping station or any lines or mains leading thereto or therefrom, or ingress thereto or egress therefrom.

30. Effective upon completion and readiness for operation of the regional treatment plant, East St. Louis shall convey its primary plant and site and necessary easements to Illinois State Trust Company, Trustee, and said Trustee shall lease the same to Sauget perpetually under the following terms and conditions:

a. So long as any revenue bonds issued by East St. Louis as of April 1, 1965 to acquire and construct such plant and site are outstanding, Sauget shall, as rental and at the beginning of each such fiscal year, pay said Trustee the amount of principal and interest due on bonds in such fiscal year;

b. For each of the first (1st) thirty (30) fiscal years, Sauget shall, as additional rental and at the beginning of each such fiscal year, pay said Trustee the sum of \$12.00 for each domestic user then connected to the sewer collecting system served by the East St. Louis plant;

c. After the first thirty (30) fiscal years, Sauget shall, as additional rental and at the beginning of each fiscal year, pay said Trustee the sum of \$1.00 per annum;

d. Rental paid by Sauget to Trustee under the provisions of #30 shall, for the purpose of establishing user rates within the region, be deemed to be a cost of operation and maintenance; and

e. Said Trustee shall use said rental to pay the maturing principal and interest on said bonds as and when the same become due during said fiscal year; it shall hold the balance of said rental until the end of said fiscal year; if, at the end of said fiscal year, East St. Louis has failed to pay Sauget all amounts then due, said Trustee shall use the balance of said rental to pay said sums then due; if any balance of said rental still remains, said Trustee shall pay the same to East St. Louis.

Notwithstanding the foregoing provisions of this #30, East St Louis may, at its option, retain ownership of, and not lease to Trustee, so much of its site as is not reasonably required for operation and maintenance of the plant as a pumping station or any lines or mains leading thereto or therefrom or ingress thereto or egress therefrom.

31. Sauget shall set aside and use approximately 80 acres of its presently owned real estate for the purpose of constructing and operating thereon the regional treatment plant and some of the related facilities. If and when revenue bonds are issued and sold by Sauget under the provisions hereof, such bond proceeds shall include funds to reimburse Sauget for the lesser of:

(i.) its actual purchase cost of such real estate;
or

(ii.) the present appraised value thereof;

in all events to be reduced by any and all Federal or Illinois grants heretofore or hereafter received by Sauget in respect thereto.

32. All municipalities consent and agree that Sauget may own, lease, or otherwise use or control, within their respective corporate limits, real estate, easements, and rights-of-way in order to construct, operate, maintain and repair related facilities. Without cost, each of the Sanitary District and East St. Louis shall grant Sauget any necessary easements and rights-of-way for such purpose across their own respective property.

33. Sauget shall continue to own and operate its present physical/chemical treatment plant and its non-domestic users shall continue to be liable for the principal and interest on, and the reserves for, the revenue bonds issued to construct the same. However, if required by bondholders or bond counsel, said bonds shall be advance refunded out of the proceeds of bonds to be issued hereunder. In all events, Sauget non-domestic users, but not users in the remainder of the region, nor Sauget domestic users, shall be liable for all costs and expenses arising out of the provisions of this #33.

34. So long as it desires to do so and so long as it does so without any profit to its members, the Association shall operate the system. Sauget may, however, terminate the Association's right to operate the plant for cause upon giving the Association 12 months advance written notice. In the event that the Association is not the operator, Sauget shall cause the same to be operated by an independent third-party chosen by Sauget, upon the recommendation of the Technical Committee, after taking and receiving sealed bids at least as often as every thirty-six (36) months.

35. Sauget shall require the initial operator to hire, to the extent that qualified operators of each class are required, the persons who are on July 12, 1977 and who still are then employed as qualified operators by East St. Louis at its primary plant and by the Sanitary District at its Cahokia and Lansdowne plants.

A Sanitary District qualified operator at its Lansdowne plant may retain his rights enumerated in this #35 even if Sanitary District has ceased operating that plant before the regional plant starts operating, so long as he was employed by the Sanitary District when it ceased operating its Lansdowne plant.

Hiring shall be by class of operator's license then held by such person and by his then seniority with East St. Louis or the Sanitary district. A Sanitary District qualified operator at its Lansdowne plant shall continue to accrue seniority for the purposes of this #35 even if Sanitary District has ceased operating that plant before the regional plant starts operating, so long as he was employed by the Sanitary District when it ceased operating its Lansdowne plant.

The Mayor of East St. Louis and the President of Sanitary District shall determine, by lot, whose qualified operator with the most seniority shall be hired first and whose second. Thereafter, filling of the remainder of the vacancies in each class shall be alternated, in the same order, between East St. Louis and Sanitary District qualified operators until all necessary operators in any class have been hired or until there are no remaining East St. Louis qualified operators in that class or until there are no remaining Sanitary District employees in that class.

If a higher class is filled and the Sanitary District and East St. Louis operators in that class have not been hired, they shall be hired in the next lower class or the next lowest classes in accordance with their seniority.

For the purpose of this #35, a "qualified operator" shall be defined to be a person who holds, on July 12, 1977, a license as an operator issued by Illinois EPA, regardless of the class of that license on July 12, 1977. He may, after July 12, 1977, upgrade the class of his license without losing his rights under this #35.

Nothing herein shall be construed to require the initial operator to hire initially any minimum number of qualified operators in any class or classes or to require it to hire initially all qualified operators of East St. Louis and Sanitary District. However, the initial operator shall not initially hire any qualified operators in any class unless and until it has initially hired all East St. Louis and Sanitary District qualified operators in that class or any higher class.

Nothing herein shall be construed to give any such qualified operator so hired any guarantee of his then applicable wages, fringe benefits, seniority or other terms and conditions of employment.

In addition to the foregoing requirements, any such East St. Louis or Sanitary District employee must successfully pass the standard physical examination then in effect for all employees of the operator.

36. Sauget shall require any regional plant operator to employ persons without regard to race, color, creed, religion or sex and, except for technical, administrative and management personnel, to attempt to employ persons who reside in the region.

37. Except for non-domestic users who shall be billed by, and pay directly to, Sauget (or its designee), each of East St. Louis, Sauget, Cahokia and the Water District shall be responsible for billing and collecting users' charges from its own domestic users. On account of its losses in collection and its costs and expenses of billing and collecting, each such municipality may retain 10% of billings to its domestic users. Also, if such municipality contracts with the utility furnishing water to its domestic users to bill its domestic users, such party may, on account of its costs and expenses of such billings to its domestic users, may retain an additional 6% of billings to its domestic users. Such costs and expenses shall be deemed to be costs of operation and maintenance for the purpose of setting users' rates.

38. Treatment rates (exclusive of sewer collection system rates) for domestic users shall be based solely and only upon quantity of water used and shall be based upon each 1000 gallons, or part thereof, of water used, but with a monthly minimum per household to be set by the Step II engineer. The rates for the first fiscal year shall be estimated in advance by the Step II engineer, with advice of the Technical Committee. After the first fiscal year, the rate will be determined from actual costs plus anticipated increases in costs and will not be changed more often than every two (2) fiscal years.

39. Treatment rates for all domestic users shall be uniform throughout the region. However, as hereinbefore provided, certain groups of domestic users may have to pay additional rates growing out of their sewage collection system or out of the East St. Louis stormwater holding/treatment facility or out of the SSES costs.

40. Treatment rates for all non-domestic users shall be fixed based upon quantity of water used and upon BOD and suspended solids (SS). The rate for the first fiscal year shall be estimated in advance by the Step II engineer, with advice of the Technical Committee. After the first fiscal year, the rate will be determined from actual costs and usage plus anticipated increases and will not be changed more often than every fiscal year.

41. Treatment rates for all non-domestic users shall be uniform throughout the region for each factor of treatment. However, as hereinbefore provided, any non-domestic user may have to pay an additional rate growing out of its sewage collection system or out of the East St. Louis stormwater holding/treatment facility or out of the SSES costs. Furthermore, as hereinbefore provided, non-domestic users in Sauget shall have to pay additional rates growing out of Sauget's existing physical/ chemical treatment plant. In addition, some non-domestic users in Sauget and elsewhere in the region will be liable for additional rates as the result of the "industrial cost recovery" requirements of the Federal regulations.

42. At the beginning of each three (3) month period, the number of domestic users connected to each sewer collection system during such period shall be determined (by the utility supplying water service) and each of Sauget, Cahokia, the Water District and East St. Louis shall, within 30 days after the close of such three (3) month period, pay Sauget the sums then due for such number of domestic users for such three (3) month period, less the allowances for losses and costs hereinbefore provided in #37.

43. All users' rates shall contain a factor sufficient to fully fund a depreciation reserve by equal annual charges in each of the first ten (10) fiscal years. The amount of such reserve shall be the maximum amount of principal and interest due on the revenue bonds in any fiscal year.

44. The proceeds of the regional revenue bonds issued and sold hereunder by Sauget shall, in addition to all other reserves required by the bond underwriter, contain sufficient funds to:

a. pay all interest accruing on said bonds during the period of construction;

b. provide sufficient cash to operate the plant during its first three (3) months of operation, as estimated by the Step II engineer, with advice of the Technical Committee; and

c. provide a debt service reserve equal to the maximum amount of principal and interest due on the revenue bonds during any fiscal year;

d. provide an operating reserve equal to the estimated cost of operation during its first (1st) fiscal year, as estimated by the Step II engineer, with advice of the Technical Committee; and

e. pay the discount, if any, on the sale of the bonds.

45. All regional revenue bonds issued and sold by Sauget hereunder shall be retired in not less than twenty (20), nor more than thirty (30), years substantially equal annual installment payments of principal and interest. (Equal annual installments are desirable, but not possible because the revenue bonds must be issued in denominations of not less than \$1,000.00.)

46. At and upon completion of the regional plant and its readiness for operation and at and upon completion of repairs to the "Centreville Trunk Line", such repairs to be acceptable to Cahokia and the Water District, Sanitary District shall convey its "Centreville Trunk Line" in equal shares, share and share alike, to Cahokia and the Water District or in such shares as Cahokia and the Water District may agree. Thereafter the same shall be part of their or its sewage collection system. The regional plant shall be designed upon the assumption that such repairs shall be made. The parties acknowledge that the Sanitary District does not have the present funds and may not have the present power or authority to obtain the funds needed to make the repairs, but that provisions are contemplated and must be made for the Sanitary District to obtain the power and authority to obtain such funds, and to obtain such funds, to make such repairs.

47. Sauget shall own the regional plant, the site upon which the regional plant is located and also all related facilities except those leased to it by Illinois State Trust Company, Trustee.

48. Sauget reserves the right to acquire insurance against a possible default in the payment of principal or interest on the regional revenue bonds. If it purchases such insurance, the amount of revenue bonds issued shall contain sufficient funds to pay the premium cost of such insurance.

49. Notwithstanding any other provision hereof, all users' treatment rates shall be subject to approval from time to time by Illinois EPA and US EPA.

50. Notwithstanding any other provision hereof and regardless of how rates may be allocated between domestic users and non-domestic users, the rates in effect for any fiscal year must produce, at a minimum, sufficient funds to operate and maintain the regional treatment plant, to pay all maturing bond principal and interest and to fund all required reserves.

51. Illinois State Trust Company, Trustee, may invest and reinvest any funds held by it in investments as are permitted under Illinois law for municipal funds. All of its fees shall be paid, first, out of investment income. The balance of its fees, if any, shall be paid by Sauget as a cost of operation and maintenance. If, after the payment of the Trustee's fees, any balance of investment income remains, it shall be added to the fund which it holds.

52. Approval hereof by you shall constitute ratification of the recommendation of the majority of the previously existing, unofficial technical committee that Sauget retain Russell & Axon as the Step II engineer.

53. At and upon completion of the regional plant and its readiness for operation, Sanitary District shall assign and convey to Illinois State Trust Company, Trustee, any and all balances in any and all accounts, funds and reserves established in connection with the bonds issued for the "Cahokia" plant as of March 1, 1964. Said Trustee shall hold such moneys for the purposes set out in the Levee District Ordinance under which such bonds were issued and sold. When such bonds are retired, said Trustee shall convey such moneys to Cahokia and the Water District, as their respective interests may then appear.

54. It is contemplated that the regional revenue bonds to be issued and sold by Sauget under the provisions hereof shall not be issued and sold until the Step II engineer completes his work and until construction bids have been received.

55. If, under the provisions of the ordinances of East Louis and the Levee District under which their primary treatment plant revenue bonds described above were issued and sold, funding of any reserves is required, Sauget shall pay the monthly amount or amounts of such reserve funding during each fiscal year after the regional plant has been completed and is ready for operation and until such reserves are fully funded. Such payments shall be deemed to be a cost of operation and maintenance for the purpose of setting users' rates. However, Sauget shall not be liable for making up any funding deficiencies existing on the date when the regional plant is completed and ready for operation. The provisions hereof shall be applicable only so long as any of said East St. Louis or Levee District revenue bonds are outstanding. The applicable Levee District ordinance requires funding of depreciation at \$400.00 per month until \$50,000.00 is on hand and funding of bond and interest reserve at \$400.00 per month until \$43,200.00 is on hand. On December 31, 1976, the Levee Board had \$10,438.09 on hand in the depreciation fund and \$30,601.00 on hand in the bond and interest reserve fund. The applicable East St. Louis ordinance requires funding of depreciation at \$1,500.00 per month until \$200,000.00 is on hand and funding of bond reserve at \$1,500.00 per month until \$200,000.00 is on hand. On December 31, 1976, East St. Louis had \$0.00 on hand in the depreciation fund and \$0.00 on hand in the bond reserve fund.

56. Sauget shall invest any reserve, construction or other funds in its hands to the extent that such funds are not immediately needed for expenditure. Income derived from such investments during the construction period shall be used to fund: first, the operating fund reserve; second, the debt service reserve; and third, interest payable during construction. After the construction period, income derived from such investments shall be used to reduce users' rates. All such investments shall be in such investments as are permitted under Illinois law for municipal funds.

57. In the event that Sauget collects US EPA grant funds on account of expenditures by another party or issues regional revenue bonds to reimburse another party for its expenditures, Sauget shall pay over such funds to such other party within fifteen (15) calendar days of its receipt thereof.

58. All parties acknowledge that this agreement contains only the principal terms and conditions and that the final agreement may contain additional terms and conditions so long as they are not in conflict herewith.

59. So long as the Association is the operator, the members of the Technical Committee shall be non-voting members of the Board of Directors of the Association; shall receive notices of all meetings thereof; shall be entitled to be present at such meetings; shall have the right of the floor at such meetings; and shall receive the minutes of such meetings.

However, they shall not be entitled to be present when business not pertaining to the regional treatment plant is discussed, considered or acted upon and shall not receive the portion of the minutes applicable to such other business.

60. Sauget shall cause the operator to keep separate books and records of account in respect to this project; to furnish monthly statements of disbursements to members of the Technical Committee; and to cause such books and records of account to be annually audited by a certified public accountant licensed by the State of Illinois and selected by Sauget, upon the recommendation of the Technical Committee. A copy of each such annual audit report shall be furnished to each member of the Technical Committee. Unless such costs are required to be included in the operator's proposal ("bid"), the operator's costs in complying with the provisions of this #60 shall be costs of operation and maintenance for the purpose of setting users' rates.

61. Sauget shall indemnify each of East St. Louis, Cahokia, Water District and Sanitary District and hold it harmless against any fine or monetary penalty imposed by US EPA or the Illinois Pollution Control Board arising or growing out of an act or failure to act of Sauget, the operator or any of the officers, directors, employees or agents of Sauget or the operator. The provisions of this #61 shall not apply if the act or failure to act is that of such other party or its officers, directors, trustees, aldermen, commissioners, employees, agents or users.

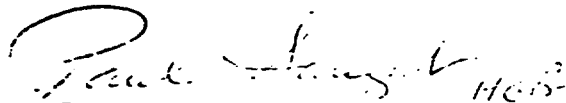
62. As used herein, "municipality" is defined to be East St. Louis, Cahokia or the Water District and "municipalities" is defined to be all of those bodies corporate and politic.

63. This offer supercedes any and all prior negotiations, agreements and understandings among the parties, or any two or more of them, pertaining to the subject matter hereof.

Please indicate your acceptance of this offer by having your presiding officer date and return a copy hereof, after your governing body has approved. Your presiding officer's signature shall certify such approval by your governing body.

Approval by any addressee shall not be binding upon Sauget or any other addressee unless and until all addressees (other than the two (2) Counties) have approved.

Yours very truly,


PAUL SAUGET,
Mayor

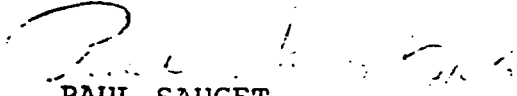
Approved and accepted, under authority granted by the governing board of my body corporate and politic, on this 9 day of SEPTEMBER, 1977.

Name of Body: Village of Cahokia
By: Michael King
Its Presiding Officer

Please indicate your acceptance of this offer by having your presiding officer date and return a copy hereof, after your governing body has approved. Your presiding officer's signature shall certify such approval by your governing body.

Approval by any addressee shall not be binding upon Sauget or any other addressee unless and until all addressees (other than the two (2) Counties) have approved.

Yours very truly,

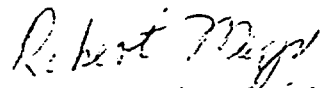

PAUL SAUGET,
Mayor

Approved and accepted, under authority granted by the governing board of my body corporate and politic, on this 14th day of September, 1977.

Name of Body: East St. Louis Aldermanic Council

By: William S. Mason
Its Presiding Officer

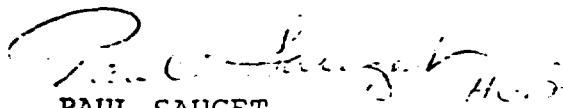
Attest:


By: Ethel Channon, Chief Deputy Clerk

Please indicate your acceptance of this offer by having your presiding officer date and return a copy hereof, after your governing body has approved. Your presiding officer's signature shall certify such approval by your governing body.

Approval by any addressee shall not be binding upon Sauget or any other addressee unless and until all addressees (other than the two (2) Counties) have approved.

Yours very truly,


PAUL SAUGET,
Mayor

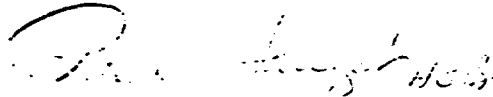
Approved and accepted, under authority granted by the governing board of my body corporate and politic, on this 12th day of September, 1977.

Name of Body: Commonfields of Cahokia
Public Home District
By: Robert Bergman
Its Presiding Officer

Please indicate your acceptance of this offer by having your presiding officer date and return a copy hereof, after your governing body has approved. Your presiding officer's signature shall certify such approval by your governing body.

Approval by any addressee shall not be binding upon Sauget or any other addressee unless and until all addressees (other than the two (2) Counties) have approved.

Yours very truly,


PAUL SAUGET,
Mayor

Approved and accepted, under authority granted by the governing board of my body corporate and politic, on this 7th day of September, 1977.

Name of Body:

Metro East Sanitary District


By:


Its Presiding Officer

Please indicate your acceptance of this offer by having your presiding officer date and return a copy hereof, after your governing body has approved. Your presiding officer's signature shall certify such approval by your governing body.

Approval by any addressee shall not be binding upon Sauget or any other addressee unless and until all addressees (other than the two (2) Counties) have approved.

Yours very truly,


PAUL SAUGET,
Mayor

Approved and accepted, under authority granted by the governing board of my body corporate and politic, on this 20th day of September, 1977.

Name of Body: County of St. Clair, State of Illinois

By:  Chairman, County Board
Its Presiding Officer